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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 002355

SIPDIS

STATE FOR EAP/MTS

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TAGS: MARR MOPS PINS PREL PTER RP

SUBJECT: SCENESETTER FOR BG CROWE'S VISIT TO THE
PHILIPPINES

Classified By: CDA Paul W. Jones, reasons 1.4 (b) and (d)

11. (C) SUMMARY: Welcome to the Philippines! You are coming to the Philippines at an important time. Our bilateral engagement remains strong with the Talon Vision/PHIBLEX exercise ongoing during your visit. With U.S. support, the Armed Forces of the Philippines continues to score successes against terrorists in the southern Philippines, even as it reforms itself and controls extrajudicial killings. The Philippine government remains committed to a peace process with the Moro Islamic Liberation Front (MILF), despite the Supreme Court's ruling October 14 that a proposed territorial agreement was unconstitutional and attacks by rogue MILF commanders on civilians in Central Mindanao in August. The Philippine Armed Forces have scored significant military successes against the MILF fighters, driving them from villages they had illegally occupied, but the violence has given critics an opportunity to scrutinize the situation in Mindanao, including the presence of U.S. troops. The renewed focus on U.S. military engagement resulted in large part from Supreme Court hearings on custody of Marine LCpl Daniel Smith, which turned into a broader discussion of the Visiting Forces Agreement. During your visit, you will be briefed by the Mission Country Team and meet with Philippine officials. You will fly to Zamboanga and spend three days with U.S. Joint Special Operations Task Force-Philippines personnel in Mindanao and the Sulu Archipelago and also visit the American Cemetery upon returning to Manila. END SUMMARY.

PHILIPPINES POLITICS

12. (C) President Gloria Macapagal Arroyo is a forceful politician who has faced a series of challenges to her rule -- including unsuccessful impeachment efforts and low-level military coup attempts -- and continues to walk a tight-rope of initiating political reform while battling economic challenges. The President's political position improved last year after elections gave her allies a large majority in the House of Representatives, decreasing any real impeachment threat. However, opponents continue to agitate in the Congress and filed yet another impeachment complaint against Arroyo -- the fourth in as many years -- on October 13. Arroyo's term ends in 2010, and while several senators actively seek to weaken Arroyo, most are loathe to have her impeached, lest it strengthen the hand of Vice President Noli de Castro, who has made his intent to run for the presidency no secret.

PEACE PROCESS ON HOLD

13. (C) President Arroyo's determined efforts to achieve peace in Mindanao suffered a major setback October 14, when the Supreme Court found the proposed memorandum of agreement on ancestral domain between the Philippine government and Moro Islamic Liberation Front (MILF) unconstitutional. The Supreme Court had issued a temporary restraining order against the signing of the agreement on August 4, sparking a series of attacks -- in violation of the ceasefire agreement -- by rogue MILF elements in several communities in central Mindanao in August. The attacks, and subsequent fighting with the military, have killed over 100 and displaced tens of thousands of civilians. The Philippine military has responded decisively but with discipline, as evidenced by a relative lack of human rights complaints. The search for the MILF rebel commanders continues, and the government is offering significant rewards for their capture. The effectiveness of the Philippine forces has degraded the MILF's military capability, and the civilian casualties has led to a public and political backlash against the MILF.

14. (C) The peace process remains stalled, but our wide soundings indicate that the government and top MILF leadership are committed to negotiations, if unsure of the exact way forward. Current government efforts are focused on carrying out basic discussions with key stakeholders in Mindanao, including Muslim and Christian religious leaders and groups, key national and provincial political figures, and civic and peace organizations. Both the government and MILF appear to have lost confidence in Malaysia's effectiveness as facilitator in the peace process and the international monitoring team that oversees the ongoing ceasefire, but Malaysia's role remains intact for now, as

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there is great sensitivity to any further internationalization of the conflict. Embassy officials continue to underscore that a peaceful Mindanao is essential for a prosperous, unified Philippines, and that it is vital for the Philippine government and MILF to return as quickly as possible to the negotiating table, but that it is for Filipinos to determine the shape and terms of the peace accord.

COUNTERTERRORISM SUCCESSES

15. (C) Military forces and law enforcement officials continue to achieve important successes in counterterrorism efforts, with eight key terrorist leaders and over 200 other terrorism suspects killed or captured in the Philippines since August 2006. The U.S. counterterrorism strategy focuses on offering development opportunities in areas where the population is prone to terrorist recruitment, while separating the small numbers of terrorists primarily associated with the Abu Sayyaf Group and Jemaah Islamiyah from Muslim insurgents in the southern Philippines. Separately, the 5,000-strong Communist New People's Army (NPA) continues to disrupt public security and business operations with intermittent attacks throughout the Philippines, targeting foreign companies, communications networks, and transportation infrastructures. While the NPA continues to decline in personnel and effectiveness, it remains steadfast in its refusal to accept President Arroyo's broad amnesty overtures, turning down offers to negotiate unless its international designation as a terrorist organization is rescinded.

CONTINUED ENGAGEMENT, QUESTIONS ON RELATIONSHIP

16. (C) Defense Secretary Teodoro and the other senior AFP officials remain strong allies on bilateral military cooperation, and we expect you will have very positive discussions here regarding our excellent cooperation on

Philippine defense reform and JSOTF's superb support for their AFP counterparts. The demands on the Philippine military and renewed scrutiny of our military presence have led Secretary Teodoro to scale back some recent bilateral activities. Talon/Phiblex exercises are underway, and we expect a continued increase in joint exercises and ship visits. Currently, the list of activities approved by our two governments consists of more than 200 joint bilateral military events.

17. (C) Secretary Teodoro is a staunch advocate of rapid reform (the Philippines spent nearly \$250 million on PDR last year), and in his usual hands-on style, he recently postponed the annual Philippine Defense Reform review slated for October, as he was dissatisfied with the level of preparation by his team. Philippine defense purchases from the U.S. include more than 8,000 Harris radios, upgrades to existing helicopters, and radar stations as part of the Coast Watch South initiative in the southern Philippines.

VFA COMES UNDER SCRUTINY

18. (C) The Visiting Forces Agreement (VFA) has come under renewed scrutiny as a joint Congressional VFA oversight committee held a hearing late last month to investigate allegations that U.S. military forces in Mindanao were violating the VFA. Leftist organizations presented a negative picture of U.S. involvement in Mindanao, complaining about a permanent U.S. military presence and involvement in combat operations against Muslim insurgents. At this hearing and at a followup discussion on October 2 in Zamboanga, key Philippine officials from every branch of government strongly rebutted the allegations and underscored the value of significant U.S. security and development assistance their areas receive. The intense focus on the VFA, along with a flurry of media articles contending that the U.S. seeks a permanent military presence here -- or even an independent Mindanao -- underscore the sensitivity surrounding the U.S.-Philippine military relationship at this time, and these issues will continue surface at regular intervals. All Mission elements continue to emphasize both in high-level discussions and public comments that the U.S. has no interest

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in bases or a permanent military presence in the Philippines.

HUMAN RIGHTS: COMBATING EXTRA-JUDICIAL KILLINGS

19. (C) President Arroyo consistently has expressed her commitment to resolving the complex and longstanding problem of extrajudicial killings and has taken steps in this direction. With increased domestic and international pressure, the number of extrajudicial killings decreased dramatically in 2007 and 2008, but more still needs to be done. While many of these deaths and disappearances are more likely attributable to local disputes than to military or police action, it is clear that the government needs to do more to ensure that these crimes are fully investigated and that responsible parties -- whether or not they are connected to military or police -- are brought to justice. The problem is closely related to a judicial system which is inefficient and strained beyond its capacity. The government has responded with a police task force to investigate the killings, and the government also rejuvenated the Presidential Committee on Human Rights, established an Armed Forces Human Rights office to investigate allegations, and allocated additional funding for the Commission on Human Rights. The U.S. has supported all of these activities with training, assistance, and expert exchanges.

¶10. (U) The U.S. is the Philippines' largest trading partner, with over \$17 billion in two-way trade in 2007. The U.S. is also the largest investor here, with \$6.6 billion in equity. After topping 7 percent in 2007, Philippine gross domestic product (GDP) growth is expected to slow in 2008, to around 5 percent. Despite the current U.S. financial downturn, firms here announced that their exposure to troubled U.S. firms was limited and that the banking sector was sound. Coupled with a resilient service sector and strong overseas workers remittances (expected to hit \$16 billion in 2008, more than 11 percent of Philippine GDP), the Philippine economy appears to be on relatively solid footing.

JONES